

Huntsville Town Corporation
Huntsville, Utah

Financial Statements

For the Year Ended June 30, 2005

Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah

Huntsville Town Corporation

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Ulrich & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Town Council
Huntsville Town Corporation
Huntsville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huntsville Town Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2005 on our consideration of Huntsville Town Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, on the pages immediately following this report, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ulrich & Associates, P.C.

August 22, 2005

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Huntsville Town Corporation

Management's Discussion and Analysis

June 30, 2005

As management of Huntsville Town, we offer readers of the Huntsville Town financial statements this narrative overview and analysis of the financial activities of the Huntsville Town for the fiscal year ended June 30, 2005.

Financial highlights

The total net assets of \$3,040,461 is made up of \$3,745,507 in capital assets less related debt of \$1,167,129, and other net assets of \$462,083.

In the enterprise fund, expenditures exceeded revenues by \$75,881. This includes a non-cash charge for depreciation of \$127,847.

Total long-term liabilities of the Town were reduced by \$13,808.

Reporting the Town as a whole

This discussion and analysis is intended to serve as an introduction to Huntsville Town's basic financial statements. Huntsville Town's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also include other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Huntsville Town's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of Huntsville Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Huntsville Town is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Huntsville Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on the pages directly following this report.

Huntsville Town Corporation

Management's Discussion and Analysis

June 30, 2005

Reporting the Town's most significant funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Huntsville Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund and the capital projects fund. In addition, the cemetery perpetual care permanent fund is shown as a major governmental fund.

Proprietary funds - Huntsville Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Huntsville Town uses an enterprise fund to account for its water and sewer utilities.

As determined by generally accepted accounting principles, the enterprise fund meets the criteria of major fund classification.

Government-wide financial analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of Huntsville Town, assets exceeded liabilities by \$3,040,461, a decrease of \$69,160 over the prior year. This decrease was largely due to non-cash charges of depreciation on the water system. By far, the largest portion of Huntsville Town's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Huntsville Town Corporation

Management's Discussion and Analysis

June 30, 2005

The Town has chosen to provide for a cemetery perpetual care fund. In the government wide financials, the cost of cemetery care and maintenance totaled \$17,946. Revenues are generated from lot sales, interment fees, and interest earnings. In the past, the town allocated 40% of the lot fee and 0% of the interment fee to the perpetual care fund. Starting in the prior year, the Town increased the allocation to 50% in both categories. The Town is trying to reach a balance of \$200,000 in this fund. At present, the balance exceeds \$100,000 and interest earnings for the year were \$2,762, to be used for upkeep and maintenance. These interest earnings are not reflected as Program Revenues in the Statement of Activities, however, the charges for services include those amounts transferred into the Cemetery Perpetual Care Fund.

Statement of net assets

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 352,536	351,721	153,722	114,923
Capital assets	484,644	466,914	3,260,863	3,388,711
Total assets	837,180	818,635	3,414,585	3,503,634
Long-term debt outstanding	-	-	1,167,129	1,180,937
Other liabilities	8,580	6,489	35,595	25,222
Total liabilities	8,580	6,489	1,202,724	1,206,159
Net Assets:				
Invested in capital assets, net of debt	484,644	466,914	2,093,734	2,207,774
Restricted	175,301	162,308	29,667	22,067
Unrestricted	168,655	182,924	88,460	67,634
Total net assets	\$ 828,600	812,146	2,211,861	2,297,475

Huntsville Town Corporation
Management's Discussion and Analysis
June 30, 2005

Changes in net assets

	Government Activities 2005	Business- Type Activities 2005
Revenues:		
Program revenues:		
Charges for services	\$ 132,827	156,602
Operating grants & contributions	52,193	-
General revenues:		
Property taxes	40,756	-
General sales and use tax	76,657	-
Interest income	7,537	2,141
Total revenues	<u>309,970</u>	<u>158,743</u>
Expenses:		
General government	134,229	-
Public safety	40,597	-
Highways/public improvements	34,463	-
Parks and recreation	23,570	-
Other	30,657	-
Water & waste collection	-	232,483
Total expenses	<u>263,516</u>	<u>232,483</u>
Transfers	(30,000)	30,000
Impact fees	-	9,000
Interest expense	-	(50,874)
Increase (decrease) in net assets	<u>16,454</u>	<u>(85,614)</u>
Net assets, beginning of year	<u>812,146</u>	<u>2,297,475</u>
Net assets, end of year	<u><u>\$ 828,600</u></u>	<u><u>2,211,861</u></u>

Huntsville Town Corporation

Management's Discussion and Analysis

June 30, 2005

General fund budgetary highlights

During the current fiscal year the general fund's original budget was amended from an expenditure total of \$274,300 to a final budget of \$257,600 for a decrease of 6.1%. These decreases were made by council decision (and approved at council meeting) based on the needs of the Town. Since the Town had no need for the additional budgeted expenditures, as projected to the fiscal year end, they were decreased.

Capital asset and debt administration

Capital assets

Huntsville Town had another year of significant increases in infrastructure and improvements. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$2,710 of machinery and equipment, \$4,771 in infrastructure, and \$37,750 in general government improvements. The total decrease in the Town's investment in fixed assets for the current year was 2.86% (due to depreciation exceeding new purchases). Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

Major capital asset events during the current fiscal year included the following:

- \$2,710 for a power washer in the general fund.
- \$4,771 for street signs in the general fund.
- \$8,168 for playground signs, fence, concrete and paving.
- \$7,977 for the park stage beams, cedar, and electrical.
- \$21,605 for additional remodel of the Town Hall.

Huntsville Town's Capital Assets

	Government Activities 2005	Business- Type Activities 2005
Land	53,000	-
Water stock and rights	-	6,000
Buildings	349,422	-
Improvements	163,384	-
Distribution mains and reservoir	-	3,656,430
Machinery and equipment	286,032	88,114
Infrastructure	4,771	-
Less: Accumulated depreciation	(371,965)	(489,681)
Total	<u>484,644</u>	<u>3,260,863</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

Huntsville Town Corporation
Management's Discussion and Analysis
June 30, 2005

Long-term debt

At June 30, 2005, the Town had total bonded debt outstanding of \$1,167,129. This debt is secured solely by specific revenue sources (i.e., revenue bonds).

Huntsville Town's Long-Term Debt

Water revenue bonds

Business-
Type
Activities
2005

\$ 1,167,129

The Town's total debt decreased by \$13,808 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

BASIC FINANCIAL STATEMENTS

Huntsville Town Corporation

Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 30,836	107,609	138,445
Cash with fiscal agents	249,085	21,997	271,082
Accounts receivable - net	51,828	24,116	75,944
Due from other funds	20,787	-	20,787
Capital assets (net of accumulated depreciation):			
Land	53,000	-	53,000
Water rights	-	6,000	6,000
Buildings	204,033	-	204,033
Improvements	152,800	3,229,832	3,382,632
Machinery and equipment	70,040	25,031	95,071
Infrastructure	4,771	-	4,771
Total assets	837,180	3,414,585	4,251,765
Liabilities			
Accounts payable and accrued liabilities	8,580	14,808	23,388
Due to other funds	-	20,787	20,787
Loan payable revenue bonds - current	-	14,378	14,378
Loan payable revenue bonds - noncurrent	-	1,152,751	1,152,751
Total liabilities	8,580	1,202,724	1,211,304
Net Assets			
Invested in capital assets, net of related debt	484,644	2,093,734	2,578,378
Restricted for debt	-	29,667	29,667
Restricted for cemetery perpetual care	111,873	-	111,873
Restricted for class C road	60,238	-	60,238
Restricted for landfill closure	3,190	-	3,190
Unrestricted	168,655	88,460	257,115
Total net assets	\$ 828,600	2,211,861	3,040,461

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation

Statement of Activities

For the Year Ended June 30, 2005

Function/Programs	Net (Expense) Revenues & Changes in Net Assets				
	Primary Government				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary government:					
Governmental activities:					
General government	\$ 134,229	29,771	882	(103,576)	(103,576)
Public safety/court	40,597	58,281	482	18,166	18,166
Highways and public improvements	34,463	1,500	35,024	2,061	2,061
Parks and recreation	23,570	27,125	15,805	19,360	19,360
Cemetery	15,667	16,150	-	483	483
Capital outlay	207	-	-	(207)	(207)
Miscellaneous	14,783	-	-	(14,783)	(14,783)
Total governmental activities	263,516	132,827	52,193	(78,496)	(78,496)
Business-type activities:					
Water utility	206,926	126,913	-	(80,013)	(80,013)
Waste collection	25,557	29,689	-	4,132	4,132
Total business-type activities	232,483	156,602	-	(75,881)	(75,881)
Total primary government	495,999	289,429	52,193	(78,496)	(154,377)
General revenues:					
Property taxes				40,756	40,756
General sales and use tax				71,349	71,349
Franchise tax				228	228
Telephone tax				5,080	5,080
Impact fees				9,000	9,000
Net interest earnings (expense)				(48,733)	(41,196)
Transfers				30,000	-
Total general revenues				(9,733)	85,217
Change in net assets				(85,614)	(69,160)
Net assets - beginning				812,146	3,109,621
Net assets - ending				\$ 828,600	3,040,461

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation

Balance Sheet

Governmental Funds

For the Year Ended June 30, 2005

	General Fund	Capital Projects	Cemetery Perpetual Care	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 14,929	15,907	-	30,836
Cash with fiscal agents	98,042	39,170	111,873	249,085
Receivables (net):				
Accounts	51,828	-	-	51,828
Due from other funds	20,694	93	-	20,787
Total assets	<u>185,493</u>	<u>55,170</u>	<u>111,873</u>	<u>352,536</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	7,531	1,049	-	8,580
Deferred revenue	34,140	-	-	34,140
Total liabilities	<u>41,671</u>	<u>1,049</u>	<u>-</u>	<u>42,720</u>
Fund Balances:				
Reserved for:				
Roads	60,238	-	-	60,238
Landfill closure	3,190	-	-	3,190
Unreserved, reported in:				
General Fund	80,394	-	-	80,394
Capital Projects Funds	-	54,121	-	54,121
Cemetery Perpetual Care	-	-	111,873	111,873
Total fund balances	<u>143,822</u>	<u>54,121</u>	<u>111,873</u>	<u>309,816</u>
Total liabilities and fund balances	<u>\$ 185,493</u>	<u>55,170</u>	<u>111,873</u>	<u>352,536</u>

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation
Balance Sheet Reconciliation to Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types:	\$ 309,816
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	484,644
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Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.	34,140
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Net assets of government activities.	<u>\$ 828,600</u>
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The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General Fund	Capital Projects	Cemetery Perpetual Care	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 116,397	-	-	116,397
Licenses and permits	12,899	-	-	12,899
Intergovernmental	35,506	-	-	35,506
Charges for services	47,598	-	8,200	55,798
Fines and forfeitures	58,281	-	-	58,281
Interest	3,592	1,183	2,762	7,537
Miscellaneous revenue	5,757	92	-	5,849
Contributions	882	15,805	-	16,687
Total revenues	<u>280,912</u>	<u>17,080</u>	<u>10,962</u>	<u>308,954</u>
<u>Expenditures</u>				
Current:				
General government	126,037	23,061	-	149,098
Public safety	40,597	-	-	40,597
Highways and public works	36,675	-	-	36,675
Parks and recreation	13,484	11,813	-	25,297
Cemetery	11,830	49	-	11,879
Capital outlay	2,917	-	-	2,917
Miscellaneous	7,676	7,107	-	14,783
Total expenditures	<u>239,216</u>	<u>42,030</u>	<u>-</u>	<u>281,246</u>
Excess revenues over (under) expenditures	<u>41,696</u>	<u>(24,950)</u>	<u>10,962</u>	<u>27,708</u>
<u>Other financing sources (uses)</u>				
Transfers in	2,762	45,000	-	47,762
Transfers (out)	(75,000)	-	(2,762)	(77,762)
Total other financing sources and uses	<u>(72,238)</u>	<u>45,000</u>	<u>(2,762)</u>	<u>(30,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(30,542)</u>	<u>20,050</u>	<u>8,200</u>	<u>(2,292)</u>
Fund balance - beginning of year	<u>174,364</u>	<u>34,071</u>	<u>103,673</u>	<u>312,108</u>
Fund balance - end of year	<u>\$ 143,822</u>	<u>54,121</u>	<u>111,873</u>	<u>309,816</u>

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation
Statement of Changes Reconciliation to Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds.	\$ (2,292)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	17,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>1,016</u>
Change in net assets of governmental activities.	<u><u>\$ 16,454</u></u>

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Taxes	\$ 107,700	116,230	116,397	167
Licenses and permits	15,600	15,820	12,899	(2,921)
Intergovernmental	47,900	42,500	35,506	(6,994)
Charges for services	55,200	52,600	47,598	(5,002)
Fines and forfeitures	17,000	46,500	58,281	11,781
Interest	7,000	6,400	3,592	(2,808)
Miscellaneous revenue	24,200	27,200	5,757	(21,443)
Contributions	-	350	882	532
Total revenues	<u>274,600</u>	<u>307,600</u>	<u>280,912</u>	<u>(26,688)</u>
<u>Expenditures</u>				
Current:				
General government	86,100	136,200	133,713	2,487
Public safety	52,200	40,600	40,597	3
Highways and public works	56,000	46,700	36,675	10,025
Parks and Recreation	17,000	13,500	13,484	16
Cemetery	16,000	12,600	11,830	770
Capital outlay	47,000	8,000	2,917	5,083
Total expenditures	<u>274,300</u>	<u>257,600</u>	<u>239,216</u>	<u>18,384</u>
Excess revenues over (under) expenditures	<u>300</u>	<u>50,000</u>	<u>41,696</u>	<u>(8,304)</u>
<u>Other financing sources (uses)</u>				
Transfers in	-	-	2,762	2,762
Transfers (out)	<u>(25,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(25,000)</u>	<u>(75,000)</u>	<u>(72,238)</u>	<u>2,762</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(24,700)</u>	<u>(25,000)</u>	<u>(30,542)</u>	<u>(5,542)</u>
Fund balances - beginning of year	<u>174,364</u>	<u>174,364</u>	<u>174,364</u>	<u>-</u>
Fund balances - end of year	<u>\$ 149,664</u>	<u>149,364</u>	<u>143,822</u>	<u>(5,542)</u>

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise Public Utility
<hr/>	
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 77,942
Cash with fiscal agent	21,997
Accounts receivable - net	24,116
Total current assets	<u>124,055</u>
Noncurrent assets:	
Restricted cash and cash equivalents	29,667
Land, equipment, buildings and improv.	3,750,544
Less: Accumulated depreciation	<u>(489,681)</u>
Total noncurrent assets	<u>3,290,530</u>
Total assets	<u><u>3,414,585</u></u>
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	14,808
Due to other funds	20,787
Current portion revenue bonds	14,378
Total current liabilities	<u>49,973</u>
Noncurrent liabilities:	
Revenue bonds (net current portion)	<u>1,152,751</u>
Total noncurrent liabilities	<u>1,152,751</u>
Total liabilities	<u>1,202,724</u>
 Net Assets:	
Invested in capital assets, net of related debt	2,093,734
Restricted for debt reserve	29,667
Unrestricted	88,460
Total net assets	<u>2,211,861</u>
 Total liabilities and net assets	<u><u>\$ 3,414,585</u></u>

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Public Utility Fund</u>		
	<u>Water Utility</u>	<u>Waste Collection</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 126,115	29,689	155,804
Miscellaneous	798	-	798
Total operating revenues	<u>126,913</u>	<u>29,689</u>	<u>156,602</u>
Operating expenses:			
Salaries and wages	19,168	-	19,168
Employee benefits	1,619	-	1,619
Maintenance and supplies	58,292	25,557	83,849
Depreciation and amortization	127,847	-	127,847
Total operating expenses	<u>206,926</u>	<u>25,557</u>	<u>232,483</u>
Operating income	<u>(80,013)</u>	<u>4,132</u>	<u>(75,881)</u>
Nonoperating revenues (expenses):			
Interest revenue			2,141
Interest expense and fiscal charges			(50,874)
Impact fees			9,000
Total nonoperating revenues (expenses)			<u>(39,733)</u>
Income (loss) before contributions and transfers			(115,614)
Operating transfers in			<u>30,000</u>
Change in net assets			(85,614)
Total net assets - beginning			<u>2,297,475</u>
Total net assets - ending			<u><u>\$ 2,211,861</u></u>

The notes to the financial statements are an integral part of this statement.

Huntsville Town Corporation

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Public Utility Fund
Cash flows from operating activities:	
Receipts from customers	\$ 154,601
Payments to suppliers	(73,476)
Payments to employees	(20,787)
Net cash provided (used) by operating activities	60,338
Cash flows from noncapital financing activities:	
Transfers from other funds	30,000
Net cash provided (used) by noncapital financing activities	30,000
Cash flows from capital and related financing activities:	
Purchases of capital assets	-
Proceeds from impact fees	9,000
Proceeds from sale of capital assets	-
Principal paid on capital debt	(13,807)
Interest paid on capital debt	(50,874)
Net cash provided (used) by capital and related financing activities	(55,681)
Cash flows from investing activities:	
Interest and dividends received	2,141
Net cash provided (used) by investing activities	2,141
Net increase (decrease) in cash and cash equivalents	36,798
Cash and cash equivalents - beginning	92,808
Cash and cash equivalents (deficit) - end	\$ 129,606
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ (75,881)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	127,847
(Increase) decrease in accounts receivable	(2,001)
Increase (decrease) in accounts payable	10,373
Total adjustments	136,219
Net cash provided (used) by operating activities	\$ 60,338

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Huntsville Town Corporation

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Huntsville Town is a municipal corporation governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 1 - Summary of Significant Accounting Policies - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for financial resources used in the acquisition and construction of major capital improvements.

The Town reports the following major proprietary funds:

The *water fund* accounts for the operations of the Town's water and sewer system.

Additionally, the government reports the following major fund type:

The *cemetery perpetual care fund* is used to account for certain fees from the purchase of burial rights that are held in this fund. Interest earned from investing these funds is transferred to the general fund to aid in financing cemetery care and maintenance.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 1 - Summary of Significant Accounting Policies - Continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

1. Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Town, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 1 - Summary of Significant Accounting Policies - Continued

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the Town monthly.

Franchise taxes are collected by the telephone operations and are remitted to the Town monthly.

3. Restricted cash and cash equivalents

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	15-30
Vehicles	5
Equipment	7

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 1 - Summary of Significant Accounting Policies - Continued

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 856,609
Accumulated depreciation	<u>(371,965)</u>
Total difference	<u>\$ 484,644</u>

Deferred revenue:

Long-term assets applicable to the Town's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue - property taxes	\$ 34,140
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Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 2 - Reconciliation of Government-wide and Fund Financial Statements - continued

B. Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 45,231
Depreciation expense	<u>(27,501)</u>
Net difference as reported	<u>\$ 17,730</u>

Note 3 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the Huntsville Town Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made decreasing General Fund expenditures by \$16,700.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget. In the current year, total Capital Project expenditures exceeded final budget appropriations by \$6,930.

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 4 - Detailed Notes on all Funds

Deposits and investments

The Town's deposit and investment policy is to follow the Utah Money Management Act.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirement which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair value</u>
Cash on deposit	\$ 152,575
State Treasurer's investment pool	<u>296,549</u>
Total cash and investments	<u>\$ 449,124</u>

Interest rate risk The Town manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - deposits. This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$52,575 of the \$152,575 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 4 - Detailed Notes on all Funds - continued

Cash and investments reported in the statement of net assets are as follows:

Cash on deposit:	138,445
State Treasurer's investment pool	271,082
Total cash and investments	<u>409,527</u>

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash and cash equivalents	379,860
Restricted cash and cash equivalents and investments	<u>29,667</u>
Total cash and investments	<u>409,527</u>

Receivables

Receivables as of year end for the government's general and enterprise funds are as follows:

	General	Enterprise	Total
Accounts	\$ -	24,116	24,116
Property tax	1,245	-	1,245
Sales tax	4,958	-	4,958
B & C road revenue	7,314	-	7,314
Deferred property tax revenue	34,140	-	34,140
Other	4,171	-	4,171
	<u>\$ 51,828</u>	<u>24,116</u>	<u>75,944</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary government				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,000	-	-	53,000
Water rights	-	-	-	-
Total capital assets not being depreciated	<u>53,000</u>	<u>-</u>	<u>-</u>	<u>53,000</u>

Huntsville Town Corporation

Notes to Financial Statements-Continued

Capital assets - continued

Capital assets being depreciated:

Buildings	349,422	-	-	349,422
Improvements	125,634	37,750	-	163,384
Machinery and equipment	283,322	2,710	-	286,032
Infrastructure	-	4,771	-	4,771

Total capital assets being depreciated	758,378	45,231	-	803,609
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Less accumulated depreciation for:

Buildings	135,755	9,634	-	145,389
Improvements	1,008	9,576	-	10,584
Machinery and equipment	207,701	8,291	-	215,992
Total accumulated depreciation	344,464	27,501	-	371,965

Total capital assets, being depreciated, net	413,914	17,730	-	431,644
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Governmental activities capital assets, net	\$ 466,914	17,730	-	484,644
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Construction in process	\$ -	-	-	-
Water stock and rights	6,000	-	-	6,000
Total capital assets not being depreciated	6,000	-	-	6,000
Capital assets being depreciated:				
Buildings	-	-	-	-
Improvements	-	-	-	-
Distribution mains and reservoir	3,656,430	-	-	3,656,430
Machinery and equipment	88,114	-	-	88,114
Total capital assets being depreciated	3,744,544	-	-	3,744,544
Less accumulated depreciation for:				
Buildings	-	-	-	-
Improvements	-	-	-	-
Distribution mains and reservoir	304,717	121,881	-	426,598
Machinery and equipment	57,116	5,967	-	63,083
Total accumulated depreciation	361,833	127,848	-	489,681
Total capital assets, being depreciated, net	3,382,711	(127,848)	-	3,254,863
Business-type activities capital assets, net	\$ 3,388,711	(127,848)	-	3,260,863

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 4 - Detailed Notes on all Funds - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 6,736
Public safety	-
Highways and public improvements	2,559
Parks and recreation	14,418
Cemetery	3,788
Total depreciation expense -governmental activities	<u>27,501</u>

Business-type activities:

Public utilities	<u>127,848</u>
Total depreciation expense - business-type activates	<u>127,848</u>

Total depreciation expense	<u><u>\$ 155,349</u></u>
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Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2005 are as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ 20,693	-
Capital projects	\$ 94	-
Public utility	-	20,787
	<u>\$ 20,787</u>	<u>20,787</u>

Interfund transfers:

	Transfers in			Total transfers out
	General fund	Capital projects fund	Public utility fund	
Transfers out:				
General fund	-	45,000	30,000	75,000
Capital projects	-	-	-	-
Cemetery perpetual care	2,762	-	-	2,762
Total transfer in	<u>2,762</u>	<u>45,000</u>	<u>30,000</u>	<u>77,762</u>

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 4 - Detailed Notes on all Funds - continued

Revenue bonds

The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the 1997 Series A bond was \$813,000 with monthly installments of \$3,862 beginning June 1, 2001, due in 2039. The original debt of the 1999 Series B bond was \$349,000 with monthly installments of \$1,658 beginning June 1, 2001, due in 2039. The original debt of the Series C bond was \$57,200 with monthly installments of \$262, due in 2039. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1997 Series A Water fund	4.75%	\$ 778,338
1999 Series B Water fund	4.75%	334,113
Series C Water fund	4.75%	54,678
		<u>\$ 1,167,129</u>

Revenue bond debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	14,378	55,126
2007	15,076	54,428
2008	15,808	53,696
2009	16,435	53,059
2010-2014	95,033	252,515
2015-2019	120,417	227,103
2020-2024	152,627	194,893
2025-2029	193,620	153,900
2030-2034	245,196	102,324
2035-2039	298,539	39,147
Total	<u>\$ 1,167,129</u>	<u>1,186,191</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-type activities:					
Bonds payable:					
Water revenue bonds	\$ 1,180,937	-	(13,808)	1,167,129	14,378
Total bonds payable	<u>\$ 1,180,937</u>	<u>-</u>	<u>(13,808)</u>	<u>1,167,129</u>	<u>14,378</u>

Huntsville Town Corporation

Notes to Financial Statements-Continued

Note 5 - Other Information

Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

Huntsville Town Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Capital Projects
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Interest	\$ 1,400	1,200	1,183	(17)
Miscellaneous revenue	-	-	92	92
Contributions	20,000	16,000	15,805	(195)
Total revenues	<u>21,400</u>	<u>17,200</u>	<u>17,080</u>	<u>(120)</u>
<u>Expenditures</u>				
Current:				
General government	20,000	23,000	23,061	(61)
Parks and Recreation	5,000	12,000	11,813	187
Cemetery	5,000	100	49	51
Miscellaneous	25,000	-	7,107	(7,107)
Total expenditures	<u>55,000</u>	<u>35,100</u>	<u>42,030</u>	<u>(6,930)</u>
Excess revenues over (under)				
expenditures	<u>(33,600)</u>	<u>(17,900)</u>	<u>(24,950)</u>	<u>(7,050)</u>
<u>Other financing sources (uses)</u>				
Transfers in	-	45,000	45,000	-
Transfers (out)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Excess of revenues and other sources				
over (under) expenditures and other uses	<u>(33,600)</u>	<u>27,100</u>	<u>20,050</u>	<u>(7,050)</u>
Fund balances - beginning of year	<u>34,071</u>	<u>34,071</u>	<u>34,071</u>	<u>-</u>
Fund balances - end of year	<u>\$ 471</u>	<u>61,171</u>	<u>54,121</u>	<u>(7,050)</u>

The notes to the financial statements are an integral part of this statement.

OTHER REPORTS

Ulrich & Associates, PC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Members
of the Town Council
Huntsville Town Corporation
Huntsville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2005, which collectively comprise Huntsville Town Corporation's basic financial statements and have issued our report thereon dated August 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huntsville Town Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huntsville Town Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we have reported to management of Huntsville Town Corporation, in a separate letter dated August 22, 2005.

Members of Utah Association of CPAs | American Institute of CPAs

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This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ulrich & Associates, P.C.

August 22, 2005

Ulrich & Associates, PC

Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

The Honorable Mayor and Members
of the Town Council
Huntsville Town Corporation
Huntsville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2005, and have issued our report thereon dated August 22, 2005. As part of our audit, we have audited Huntsville Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds
Liquor Law Enforcement

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax Limitations
Liquor Law Enforcement
Justice Court Compliance
B & C Road Funds
Other General Issues
Uniform Building Code Standards
Impact Fees

The management of Huntsville Town Corporation, is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Huntsville Town Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Ulrich & Associates, P.C.
August 22, 2005

Huntsville Town Corporation

Schedule of Findings

State Legal Compliance

1. General Compliance

State law requires that municipalities shall not incur expenditures or encumbrances in excess of the total appropriation in the final adopted budget. For Capital Projects, the budget integrity is required in fund expenditure in total. Huntsville Town Capital Projects expenditures exceeded the total budgeted amounts by \$6,930.

Management Response

The Town had originally budgeted more than the total amount expended, however when amending the budget, a line item was inadvertently left off. In the future, the Town will work toward being more conscientious about capturing all needed line items when amending the budget.

2. Property Tax Limitations

The Tax Commission requires the filing of form TC-693 *Tax Rate Summary*, which includes a column for "Budgeted Revenue". The amounts in that column should be the same as the revenue amounts in the entity's original adopted budget. While Huntsville Town's original budget reported \$41,000 of tax revenue, the TC-693 reported only \$33,124.

Management Response

Huntsville Town's original budget amount for property tax includes amounts for delinquent and fee-in-lieu collections. Although the next year budget has already been submitted, Town officials will make note to omit the other items from the budgeted amount, making sure the budget agrees to the TC-693 form.